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The Austrian Accident Compensation Law

New York

1914

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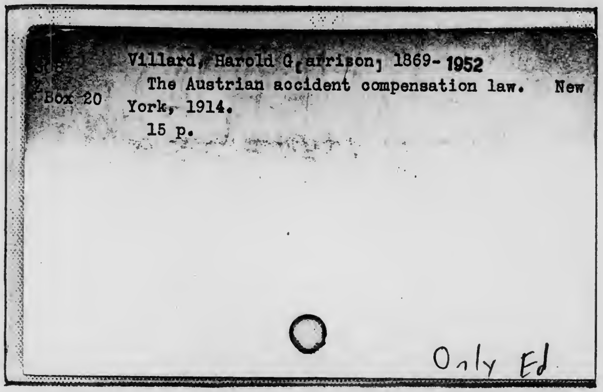

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The Austrian Accident Compensation Law

By HAROLD G. VILLARD

WORKMEN'S COMPENSATION PUBLICITY BUREAU
80 Maiden Lane, New York City
December, 1914

The Austrian Accident Compensation Law

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AUSTRIAN ACCIDENT COMPENSATION LAW.

As was to be expected in the case of a neighboring state, Austria was the first country to follow Germany's lead in the matter of compulsory insurance of workingmen against accidents. The Austrian law took effect at the end of 1889 or only four years later than the pioneer statute on the subject. While thus closely following Germany's initial legislation, the Austrian act deviates in many respects from the German methods of accident insurance and contains some novel ideas.

Scope and Original Features.

Covered by the provisions of the law are employees in industrial pursuits (excepting those engaged in mining, who are covered by a special form of insurance), those employed in the building trades, or in forestry or transportation enterprises, and agricultural laborers tending machinery. On February 1st, 1913, seamen and fishermen were brought within the scope of the act. Through the exclusion of most agricultural risks, slightly over four millions out of a total population in excess of twenty-eight millions were covered in 1911 by this form of insurance. In place of employers' associations for individual industies as in Germany, insurance institutions including all employers and their workmen within a given section have been established along geographical lines. Seven in all of these have been formed and also a separate organization extending over the whole country and within which is comprised all the Austrian railways.

Why Territorial Institutions Preferred and Wherein Deficient.

An all inclusive territorial form of organization was preferred on account of its greater inherent strength and solidarity. It was argued that if membership in an employers' association be limited to those engaged in one particular industry, all might be more or less affected or crippled in case a severe industrial crisis arose in their special trade, thereby endangering, perhaps, the financial stability of the organization. In the case of a territorial institution, however, even if a general business depression should set in, some paying groups of industries could almost certainly be found to help out and atone for any financial weakness displayed by the depressed ones.

Nine-tenths of the premiums assessed by the insurance institutions and which are intended to cover expenses and losses are paid by the employers. The balance is defrayed by the workmen. When an accident occurs, a sickness society furnishes the necessary treatment for the first four weeks (in Germany the period is thirteen weeks), after which time the accident insurance institutions take charge of the cases.

Unlike the German association, however, in whose hands accident insurance and accident prevention are centered, the Austrian territorial organizations on account of the number of different industries insured deem it without their province to prescribe rules for guarding against the occurrence of accidents. This function is left to the state factory inspectors. These latter are naturally not under as great an incentive to devise methods for reducing the number of accidents as those who have to directly meet the cost of accident insurance. Indeed, the Austrian law is decidedly deficient in not providing for a central body similar to the German Imperial Insurance Office with power to prescribe and enforce accident preventive rules and to introduce a uniform system of jurisprudence regarding the interpretation of the statute. As matters now stand, each insurance institution is a law unto itself and conflicting decisions as to what constitutes an occupational accident, etc., are the results.

Statistical Data.

The following figures show some of the results achieved since the law took effect:

	No. Workmen Insured			Wages Insured. Million Kronen		
Year.	Industrial Establishments.	Agricultural Establishments Using Machinery.	Total.	Industrial.	Agricultural.	Total.
1890....	893,324	338,494	1,231,818	470.52	3.36	473.88
1891....	957,525	412,238	1,369,763	515.86	5.48	521.34
1892....	1,003,306	377,575	1,380,881	553.40	6.70	560.10
1893....	1,070,428	395,842	1,466,270	597.00	6.80	603.80
1894....	1,124,675	473,729	1,598,404	641.96	7.92	649.88
1895....	1,381,307	495,887	1,877,194	866.66	7.98	874.64
1896....	1,471,275	503,369	1,974,644	940.50	7.68	948.18
1897....	1,553,959	523,514	2,077,473	997.98	8.40	1,006.38
1898....	1,651,040	549,072	2,200,112	1,065.36	8.86	1,074.22
1899....	1,699,696	634,865	2,334,561	1,114.78	10.00	1,124.78
1900....	1,693,600	678,613	2,372,213	1,160.19	10.70	1,170.89
1901....	1,725,582	804,596	2,530,178	1,188.76	10.54	1,199.30
1902....	1,722,925	812,592	2,535,517	1,204.87	10.87	1,215.74
1903....	1,775,803	846,126	2,621,929	1,248.95	11.42	1,260.37
1904....	1,874,391	812,611	2,687,002	1,336.67	11.02	1,347.69
1905....	1,913,008	893,215	2,806,223	1,387.98	12.05	1,400.03
1906....	2,011,063	907,616	2,918,679	1,506.32	12.76	1,519.08
1907....	2,111,720	918,732	3,030,452	1,662.15	13.22	1,675.37
1908....	2,222,221	938,918	3,161,139	1,779.89	13.91	1,793.80
1909....	2,265,624	1,443,409	3,709,033	1,890.38	17.59	1,907.97
1910....	2,339,070	1,488,456	3,827,526	2,025.15	17.91	2,043.06
1911....	2,436,250	1,581,631	4,025,881	2,182.31	21.05	2,203.36

(NOTE.—Wages insured in agriculture are small in amount for the reason that the individual laborer is insured on the average only nine days in the year.)

Year.	Total Losses Incurred in Thousand Kronen.	Per Cent of Wages.
1890..........	412	.076
1891..........	1,771	.225
1892..........	1,773	.317
1893..........	2,497	.413
1894..........	3,382	.52
1895..........	4,518	.517
1896..........	6,307	.665
1897..........	7,869	.782
1898..........	9,587	.892
1899..........	11,347	1.009
1900..........	13,436	1.148
1901..........	15,185	1.266
1902..........	17,203	1.415
1903..........	18,732	1.486
1904..........	20,495	1.521
1905..........	22,508	1.607
1906..........	24,376	1.605
1907..........	26,901	1.606
1908..........	29,698	1.606
1909..........	31,762	1.665
1910..........	33,401	1.635

Year.	No. of Accidents Reported.	Per 1,000 Full-time Workers.	No. of Accidents Compensat'd.	Per 1,000 Full-time Workers.	Deaths.	Per 1,000 Full-time Workers.
1890.......	16,041	19.49	6,741	8.20	548	.67
1891.......	21,316	24.86	8,784	10.25	565	.66
1892.......	26,298	29.42	9,422	10.54	574	.64
1893.......	32,917	34.98	10,901	11.59	649	.69
1894.......	40,259	40.67	12,552	12.68	670	.68
1895.......	54,562	44.84	16,395	13.47	835	.68
1896.......	64,655	50.38	18,544	14.45	929	.72
1897.......	69,283	52.02	19,661	14.76	929	.70
1898.......	75,146	53.85	20,976	15.03	977	.70
1899.......	79,260	55.10	22,666	15.76	1,044	.73
1900.......	80,534	55.07	23,039	15.75	1,003	.68
1901.......	81,605	55.07	24,134	16.29	995	.67
1902.......	84,003	56.63	25,313	17.07	901	.61
1903.......	88,155	58.05	25,459	16.77	909	.60
1904.......	99,744	61.98	27,612	17.16	1,037	.64
1905.......	103,735	63.04	28,787	17.50	1,111	.68
1906.......	109,118	63.19	31,469	18.22	1,089	.63
1907.......	119,052	65.23	33,492	18.35	1,189	.65
1908.......	128,435	68.18	34,014	18.05	1,207	.65
1909.......	129,186	66.28	32,903	16.88	1,252	.64
1910.......	128,094	64.03	33,526	17.19	1,189	.59
1911.......	......	63.66	.....	16.99	....	.59

(NOTE.—Accidents compensated include only such as cause a disability in excess of four weeks, which explains their relative smallness as compared with the number of accidents reported.)

Just as in Germany and elsewhere, the number of accidents reported has shown a practically unbroken increase. Relatively speaking, however, they are about as numerous as in 1905 and the same is true of the accidents compensated. These last have recently formed only one-quarter of all accidents reported in place of two-fifths as at the outset of this form of insurance; indicating a disproportionate gain in the number of minor accidents entailing less than four weeks' disability. Losses incurred have likewise mounted uninterruptedly and were at their maximum in 1910, the last year for which figures have been reported.

The accident risk varies greatly in the different Territorial Institutions. Thus in 1910, accidents reported per 1,000 full-time workers ran from 31.75 in the case of Lemberg to as high as 86.30 for the Vienna Institution, while accidents compensated figure only 11.98 for the former, as against 21.10 for the latter.

As set forth in the subjoined table, there is also a wide divergence between the premiums charged and the amount of compensation awarded in cases of disability.

Territorial Institution.	Maximum Premiums, Per Cent.	Scale of Compensation Per Case of Disability, Florins.
Prague	8.59	118
Vienna	7.81	106
Lemberg	7.10	110
Triest	7.00	94
Brünn	6.63	81
Sülzburg	6.00	81
Graz	6.00	71

Among the data published annually concerning the operations of its accident insurance law, the Austrian government furnishes a table of the number of days workmen in various occupations are employed in the course of the year. For 1910, the figures run as follows:

Occupation.	Average No. Days Employed.	Occupation.	Average No. Days Employed.
Heating and Lighting Plants	313	Clothing and Cleaning	278
Textile Industries	289	Railways	260
Machinery	288	Woodworking	234
Iron and Steel Work	286	Quarries	229
Paper, Leather and Rubber	285	Building	188
Chemical Industry	284	Average for all industrial pursuits	254
Food Products	281		
Metal Workers	280		

On the average, therefore, the Austrian workman is only employed about two-thirds of the year or, to be more exact, seven days out of ten. When injured in an occupational accident, he receives an indemnity equal to 60% of his average annual earnings. These are computed at 300 times the average daily wages, but, as the workman usually finds employment only for 254 days, the compensation amounts in reality to more than 70% of annual earnings. In certain employments like those of the building trades, where on account of weather conditions work is only to be had on one day out of two, the compensation afforded amounts to practically 100% of earnings. If Austrian figures are to serve as a guide, therefore, any indemnity greater than 60% of average annual earnings computed as above will result in many instances in unduly high rate of compensation being paid. In some cases, these will even exceed the workman's average earnings. The demoralizing effect of this state of affairs and the resultant incentive to the injured workman to prolong his period of idleness need not be dwelt upon.

Current Cost vs. Capital Reserve System.

In introducing the new system of compulsory workingmen's accident insurance, the question of how the necessary funds should be raised to indemnify those injured gave rise to an acrid controversy in Austria. Two methods were suggested, known respectively as the current cost and capital reserve plans. Under the former, outlays are met from year to year as they arise, while the latter calls for the setting aside of sufficient amounts to cover all future payments on account of losses. Thus if an accident should entail an estimated loss of one thousand dollars, the capital reserve method would call for the raising of this entire amount at once instead of in small equal annual installments as under the other system.

So far Germany has been the only nation to adopt the current cost plan. In determining on this method, the German authorities were actuated by several motives. In the first place, they wished to place as light a burden as possible at the outset on German industry in order to lessen its handicap in international trade until such time as other countries should adopt a similar form of accident insurance. Furthermore, it was felt that low premiums at the start would result in a more cordial acceptance and support of the new system by employers. Again, as the employers' associations under the proposed system of obligatory accident insurance were to be quasi-public institutions backed by a state guarantee, the same necessity did not exist for accumulating full loss reserves as in the case of insurance by private corporate bodies. Lastly, as sums set aside for reserves were not expected to earn more than four per cent interest, while the same amounts employed in trade and industry were counted upon to yield a return of seven per cent or over, the less capital was withdrawn from productive pursuits for the upbuilding of reserves, it was contended, the greater would the national wealth augment. For all these reasons, the German officials decided to employ the current cost system for meeting accident losses with a gradual upbuilding of small reserves against periods of depression.

After many heated arguments and a careful study of the matter, the Austrian lawmakers rejected the current cost method in favor of the capital reserve plan. Against the former it was urged that employers would prefer a fixed impost and stable rates to being yearly confronted with varying and constantly mounting charges. Another objection was that posterity would be inflicted with the payment of previously incurred losses, whereas each period ought to shoulder its own burdens. A further bad feature is the huge amount of uncovered liabilities (in Germany at the end of 1911 these were estimated at 1,100 million marks or close to 80% of all outstanding liabilities), whereas the capital reserve plan of meeting losses as they occur is an absolutely safe system.

Method of Defraying Insurance Costs.

Having decided on the capital reserve plan, the Austrians proceeded to introduce a premium system for the meeting of estimated expenditures, revisional after the expiration of each five-year period. Each industry was to defray the losses occurring in its own particular branch, and the idea was for the various insurance institutions to have their income sufficient to cover all charges. How far these estimates have proved incorrect can be seen by glancing at the following table:

Territorial Insurance Institutions.

Year.	Yearly Deficits, Kronen.†	Total Deficit, Kronen.	Receipts in Million Kronen.
1890	*574,480.92	....	7.57
1891	57,875.02	115,750	7.65
1892	257,899.50	515,796	8.54
1893	826,505.36	1,653,012	9.12
1894	979,800.82	3,409,249	9.58
1895	867,451.66	5,163,016	13.80
1896	3,362,010.72	11,820,038	15.11
1897	2,839,346.40	14,674,990	17.24
1898	1,340,127.90	15,993,806	20.43
1899	7,533,404.70	23,300,297	22.47
1900	4,077,243.04	27,377,540	26.78
1901	4,505,921.01	31,883,461	28.16
1902	6,936,217.28	38,819,679	27.89
1903	10,509,965.12	49,770,721	29.64
1904	5,746,106.65	55,534,512	31.41
1905	4,983,448.27	60,460,924	33.76
1906	7,751,037.61	68,022,280	37.71
1907	6,688,951.11	74,711,231	43.22
1908	5,086,778.53	80,093,688	48.72
1909	724,237.79	79,732,513	49.37
1910	*5,573,566.72	74,214,277	55.35
1911	*7,084,586.28	69,021,566	....
1912	*7,440,149.83	61,581,497	....

*Surplus. †Krone equals about 20.3 cents.

The striking fact to be noticed in the foregoing figures is the extraordinary fluctuations in the receipts of the Insurance Institutions, ranging from a deficit of 10½ million Kronen in 1903 to a surplus of 7½ million in 1912. Starting with a handsome surplus as the result of the first year's operations, the Insurance Institutions showed an unbroken series of deficits for the eighteen following years. At the end of 1908, their assets only amounted to 130 million Kronen as against liabilities in excess of 210 million. In the last few years, however, the pendulum has swung the other way and very considerable annual surpluses are now the rule. On January 1st, 1913, the net deficit was less than 62 million Kronen or not quite one-fourth of the outstanding liabilities, which aggregated 255 million, and was almost entirely confined to the two Institutions, whose headquarters are in Vienna and Prague respectively Although headed in the right direction now, the Austrian Insurance Institutions for many years fell far short of their announced intention of covering losses in full as they occurred, and have yet a considerable deficit to overcome. As applied in Austria, therefore, the capital reserve

plan of defraying costs has not been uniformly lived up to. Various causes both of a general and special nature have been responsible for the checkered showing made and will be briefly set forth hereafter.

Reasons for Former Deficits.

At the outset, it should be explained that the premiums of the Austrian Insurance Institutions are based upon total wages paid and are calculated by assuming a certain basic rate varying in the different institutions from 0.06 to 0.09 per cent of wages. Establishments insured are then apportioned to 12 different risk classes and to each class is assigned a coefficient of so many times the basic rate to denote the accident risk in that particular group. Thus blast furnaces and saw mills are placed in class X with a maximum coefficient of 70. Taking the lowest basic rate of 0.06 and multiplying this by the coefficient just named, a resultant premium of 4.20 per cent works out for these two industries.

It is evident from the foregoing that the success of the Austrian Institutions in balancing their accounts depends on the correctness with which premiums are adjusted. If these are wrongly estimated, income and expenditures will be separated by a more or less wide margin. Not having any reliable accident statistics of their own, the Austrian officials guaged their premiums at the start according to the accident risk prevalent among the workmen insured by the German Employers' Associations. These soon proved to be inaccurate as far as Austrian conditions were concerned, and, as the number of accidents to be compensated rapidly increased, the Austrian Insurance Institutions were speedily confronted with a deficit. In addition they were financially unfavorably affected through not being able to charge more than 5.67 per cent as a maximum rate, while from the very inception of Austrian workingmen's accident insurance losses in certain industrial pursuits ran very much higher. Thus the group covering the manufacture of earth products showed average losses of 8.27 per cent for the period 1890-96.

Aside from these initial handicaps, extraordinary variations in the risk rates occurred in some of the occupations insured and helped to make the determination of proper premiums difficult. A few such fluctuations are set forth in the subjoined table.

Industrial Group.	Losses in Per Cent of Wages 1890-96.	 1897-01.	 1902-06.
Briquette Making	9.24	4.71	21.11
Windmills	7.72	.08	13.55
Steam Plows	3.68	13.98	8.70
Asphalt Factories	1.68	0.09	5.15
Gypsum Mills	1.66	2.44	0.23
Soap Factories	0.66	2.42	0.08
Mowing Machines	2.86	4.50	8.18
Heavy Teaming	5.88	8.15	9.33
Precious Stones Cutting	2.98	1.13	0.67
Manufacture Earth Products	8.27	5.10	2.92

Every sort of change is to be found in the foregoing figures, ranging from an unbroken increase to a uniform decline. Infinitesimal losses in one period are preceded or followed by abnormally heavy losses in another. Under such circumstances, it becomes almost impossible to measure premium requirements correctly. How such variations in the loss rate affect the financial standing of the industrial group concerned and of the Insurance Associations as a whole is shown in the next following table:

Fire Brick and Fire Clay Manufactories.

Period.	Losses in Per Cent of Wages.	Premiums to Losses.
1890-96	0.92	93.
1897-01	0.87	97.5
1902-06	1.59	70.8
Wire Tack Factories.		
1890-96	0.88	96.5
1897-01	0.48	228.
1902-06	1.67	63.2
Chain Forging Establishments.		
1890-96	0.52	183.
1897-01	0.90	118.
1902-06	1.90	51.8
Machine Metal Buttons Factories.		
1890-96	0.50	135.
1897-01	1.10	61.
1902-06	0.45	162.
Manufacture Telegraph and Telephone Apparatus.		
1890-96	1.86	83.
1897-01	1.09	127.
1902-06	0.78	179.
Manufacture Lead Pencils.		
1890-96	1.11	157.
1897-01	0.82	197.
1902-06	0.30	513.

Here again we find all sorts of conditions represented. Premiums are frequently less than two-thirds of loss requirements and again they are more than double. A group will at one time achieve a considerable surplus and then in the next period, with rates remaining unchanged, be confronted with a very heavy deficit. Where the compensation to be paid for injuries to workingmen varies so in amount, the task of determining scientific premium rates becomes correspondingly difficult.

In view of these wide fluctuations in the cost of workingmen's accidents, it follows that the accounts of the Austrian Insurance Institutions could not possibly attain the desired state of financial equilibrium unless the officials in charge were empowered to vary the scale of charges frequently and promptly to meet the rapidly changing conditions in the modern industrial world. Premiums should therefore have been subject to revision as often and as soon as the result of the financial operations for any given year were known. Yet losing sight of the necessity in many cases for an annual revision in charges, the Austrian statute only provides for a quinquennial overhauling of rates. Although they may find their receipts insufficient, the Insurance Institutions are bound by the official tariffs until the expiration of the five year period. Almost a quarter of a century has elapsed since the Austrian accident compensation law first took effect and yet premium rates have only been thrice systematically revised in all that period. With revisions taking place at such infrequent intervals and with the scale of charges always mounting through the constant growth in the number of accidents, it is no wonder that the Austrian Insurance Institutions showed uniform deficits for so many years.

Not only are the insurance bodies restricted to stated periods for making changes in risk rates, but the maximum amount which they can charge is also limited. The highest permissible rate today is only 8.59 per cent, which is much below the percentage of loss occurring in certain groups. Thus the one covering agricultural food cutting machines reports for the seventeen years 1890-1906 losses ranging from 11.63 to 14.42 per cent. Premiums have only sufficed to meet forty per cent of the losses incurred and the latter have exceeded premiums by more than 2,155,000 Kronen. Inability to charge sufficient premiums is therefore another ground for the early unfavorable showing of the Insurance Institutions.

An additional contributing cause towards this arose through the failure of the Austrian authorities to make any allowance for a possible depreciation in the market value of the securities in which the funds accumulated for capital reserve and other purposes might be invested. In Austria, however, just as in the other leading security markets of the world, the prices of all high grade issues have been steadily declining in value, and the same fate has befallen the investments of the Insurance Institutions. Thus in 1908 alone, the loss in the book value of securities owned was more than two per cent of all the aggregate resources of the Institutions and was equivalent to one-tenth of the total amount paid for compensation. Nor has this shrinkage in the principal of the invested funds yet stopped or ceased to affect the financial statements of the insurance organizations unfavorably.

In preparing their scale of charges, the Austrian authorities estimated that the sums yearly set aside as a reserve to cover losses incurred would yield at least 3½% interest. Accordingly the premiums demanded were calculated on the supposition that this rate of interest would be in every case obtained. But, as the Insurance Institutions from the outset failed to provide sufficient reserves, their yearly deficit and the total of their uncovered liabilities was regularly increased by the amount of interest lost on the capital reserves which should have been provided, but were actually not on hand. Already exceeding one million Kronen in 1901, this forfeited interest grew thereafter with avalanche like rapidity and amounted to 2.8 million Kronen for the year 1908 alone. To this item alone is ascribable one-half of the existing deficit of the Insurance Institutions.

Why Surpluses Now Attained.

As pointed out on a previous page, the Austrian territorial insurance organizations have since 1909 passed from an era of deficits to a period of regular and steadily increasing yearly surpluses. The main reason for this is to be found in the fact that lately the actual and relative number of accidents compensated has remained at about the same figure. This and the circumstance that losses have remained stationary when measured in per cent of wages has made the correct estimation of losses easier. Undoubtedly, too, premiums are being more closely adjusted to the actual loss rate. As already mentioned before, Austrian premium charges have been revised three times since the initial tariff rates were adopted in 1889. The first revision—effective during the years 1900-1904—was based on the number of accidents compensated for in the period 1890-1896. The scale thus devised proved entirely inadequate, however, because the number of accidents incurred during its life turned out to be so very much higher than anticipated. The same is true of the second revision in force for the years 1905-1909 and computed according to the accident statistics obtained in the period 1897-1901. The tariff now in force dates from January 1st, 1910, and is the first one founded on the experience of a quinquennial period—viz: 1902-1906—where the loss rate incurred was no higher than has prevailed in recent years. Hence it is not surprising to find that the Insurance Institutions are now showing each year balances on the right side of of the ledger.

Furthermore, the financial status of the Insurance Institutions has been materially aided through a change in the statute effective from May 26th, 1909, by which a more correct reporting of payrolls on the part of employers has been compelled. Up to that time, the Austrian employers had more or less successfully concealed the amount of their salary lists and thus escaped paying their proper assessment quota. The sum total of wages paid had to be stated, but not the names of the various employees. It was impossible, therefore, to tell whether any individual workman was included in the wage list or whether his wages had been correctly put down or not. Premiums were levied on partial wages only, while losses were settled for always on actual wages paid to the consequent detriment of the insurance bodies. This state of affairs has now entirely ceased and receipts and indemnities are reckoned according to the same scale of earnings.

Again, pensions for injuries have of late years been more strictly revised and checked up than formerly. In some instances—notably in the case of the Insurance Institutions for Vienna and vicinity—the habit had prevailed of awarding pension without taking into account the wages earned by the workingman subsequent to the accident. This lax practice has recently been changed and awards are being made according to actual loss in wage earning capacity shown instead of according to the degree of physical injury suffered. It is surprising indeed that this reform was not put into effect sooner.

Whatever the contributing causes may have been, the various Austrian Insurance Institutions beginning with 1909 have succeeded in putting their finances on a solvent basis. Each year is showing a handsome surplus and a reserve is now being regularly accumulated to reduce the amount of the uncovered liabilities previously incurred. In the period 1910-12, one-quarter of all these were paid off and, if the present policies be adhered to, and no rise in the accident rate take place, the extinguishment of the remaining deficit is only a question of time. With nearly four-fifths of their outstanding liabilities covered, the Austrian Insurance Organizations are in a much stronger financial position than the German Insurance Employers' Associations, whose reserves at the end of 1911 were less than one-quarter of the estimated capitalized values of all outstanding losses.

Concluding Deductions from Austrian Experiences.

From the study of Austrian experience with workingmen's accident insurance, a number of valuable conclusions may be drawn. First of all, it is apparent that the desired state of financial equilibrium, where income and loss requirements balance, cannot be attained unless premium rates are properly adjusted. A correct estimation of these, however, depends on the accident risk in the various employments insured being known with some exactitude. Reliable data on this point is usually lacking at first, and so a country initiating this form of legislation has to rely on the experience of other nations. But accident statistics gathered elsewhere are apt to prove faulty for a multitude of reasons. Even in different districts of the same country, great variations in the degree of accident risk will appear, as shown by the record of the individual Austrian Insurance Institutions. Hence rates sufficient to cover all expenditures according to foreign experience are found to be more or less inapplicable when put into force in a new jurisdiction. We need only recall the disastrous financial record made by the Dutch and Norwegian state insurance departments at the outset of their careers when they were governed by Austrian accident figures.

Another factor which makes the calculation of correct premium rates difficult is the steady rise in the number of accident cases. Whether due to increasing industrial hazards or to a more active prosecution of claims for injuries before deemed too insignificant to notice, the fact is incontestable that the introduction of compulsory accident insurance for workingmen has been everywhere attended by a remarkable increase in the number of reported accidents. This is strikingly brought out in the following table giving the number of reported accidents—either per 1,000 workmen or per 1,000 full-time workers insured—for the first year after the inauguration of the new form of insurance and again for the year 1911.

Country.	No. Accidents Reported for First Year.	For 1911.
Austria	19.49	64.03
France	63.4	99.1
Germany	27.42	52.83
Holland	65.9	81.2
Italy	98.34	170.18

In Germany and Austria, which were the pioneer states in introducing workingmen's accident insurance, reported accidents have doubled and trebled respectively, while Holland, the most tardy of the nations on this list in adopting this kind of legislation, shows an increase of only one-quarter. How fast or to what extent accidents will gain in number cannot possibly be predicted in any given case. Unless this upward trend in accident cases be taken properly into account, however, premiums are bound to be wrongly estimated.

Again, a disturbing element arises through fluctuations in the degree of risk in different industries. This has been clearly brought out in the review of Austrian statistics and need not be further dwelt upon. The same proportion of accidents may occur for year after year in a given occupation and be followed all at once by some wholly unforeseen increase, which will upset all previous calculations. If premiums and losses are to remain in proper accord therefore, due allowance has to be made for sudden and unlooked for changes in the loss rate.

On account of all these conflicting and varying circumstances, a correct estimate of the cost of insuring workingmen against accidents cannot be arrived at in advance. Many years statistics are required for the loss rate in the various industries to be determined with the necessary degree of exactitude and these statistics are based on past and not on present conditions. It is futile too, to proceed on the theory adhered to in several European countries that stability of rates is either practicable or desirable. Equally mistaken is the plan of fixing maximum rates, for they have always proved to be inadequate. The only proper method is to provide for the prompt and frequent revision of rates preferably at the end of every twelve months.

Another fact to be borne in mind in determining rates is that the defraying of total requirements is the main object to be striven for. If only losses in each particular group be taken into consideration, the financial machinery is apt to be thrown out of gear through failure to allow a sufficient margin for unforeseen contingencies like shrinkage in the principle of the securities in which the reserve funds are invested. Rates should be adjusted therefore not only to conform to the risk conditions in individual industries, but also to fit into the broader and more essential scheme of having the total burden of costs covered as it arises. Only in this way can a sound financial condition be attained and a wide divergence between income and expenditures avoided.

In conclusion, the necessity of accumulating large reserves from the very start of all workingmen's accident insurance systems cannot be too strongly emphasized. Conditions are so uncertain and so unstable and the margin for error so great that absolute financial security can alone be obtained only if funds are accumulated in excess of actually foreseen requirements. If premiums are originally fixed at a sufficiently high figure and if the customary rise in the number of accidents and the attendant loss burden then takes place, an increase in rates so unsettling to industry may be in a large measure obviated. Usually charges have been made as low as possible at the beginning in order to secure the cordial support of employers for the new system, but their hearty good-will is far more likely to be obtained and retained if no uncertainty as to costs prevail and rates do not have to be continually screwed upwards. Lastly, it is a far sounder policy to overcharge at the outset and to allow rebates on premiums afterwards than to pursue the contrary policy which usually results in a large part of losses remaining uncovered.

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